

Message Text

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ACTION IO-10

INFO OCT-01 EUR-12 ISO-00 IOE-00 SSO-00 NSCE-00 USIE-00

INRE-00 EB-07 AID-05 COME-00 LAB-04 TRSE-00 AF-06

ARA-06 EA-06 NEA-09 RSC-01 OIC-02 L-02 CIAE-00 INR-07

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FM AMEMBASSY VIENNA

TO SECSTATE WASHDC IMMEDIATE 4489

INFO USMISSION USUN NEW YORK PRIORITY

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E.O. 11652: N/A

TAGS: UNIDO AORG AFIN EAID OCON

SUBJECT: UNIDO - PREPARATION FOR SECOND PART
OF PC-V

REF: A. STATE 282492; B. VIENNA 8251

1. SUMMARY. CABLE TRANSMITS MISSIONS' COMMENTS ON PROPOSED INDUSTRIAL DEVELOPMENT FUND AND AUTONOMY QUESTIONS OF PROSPECTIVE CONCERN AT RESUMED FIFTH SESSION PERMANENT COMMITTEE (PC-V). END SUMMARY.

2. CREATION OF INDUSTRIAL DEVELOPMENT FUND. MISSION'S REACTION TO SYG'S REPORT (A/9792) ON THIS ALREADY OUTLINED SUBSTANTIALLY IN REF. B. SECRETARIAT AND LDC ESPOUSAL OF THIS PROPOSAL APPEARS CHIEFLY BASED ON BELIEF ESTABLISHMENT OF NEW "CONSOLIDATED," HIGH-PROFILE FUND WOULD INDUCE GREATER LEVEL OF PARTICIPATION AND CONTRIBUTION THAN PRESENT ANNUAL PLEDGING CONFERENCE AND BILATERAL DONATIONS. CONCOMITANTLY, PROPONENTS DESIRE ELEVATION OF STATUS OF INDUSTRIALIZATION AND UNIDO TO THAT OF THOSE OTHER
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UN ORGANIZATIONS THAT HAVE THEIR "OWN" FUNCTIONALLY

DESIGNATED FUNDS. WHILE PROPOSAL MAY REFLECT DESIRE TO ESTABLISH FUND ENTIRELY UNDER UNIDO CONTROL, IT APPEARS RELATED MORE TO OPTICS THAN SUBSTANCE WHICH NONETHELESS A REAL MOTIVATING FACTOR. AS FOR HOPE THAT NEW FUND WOULD OF ITSELF SERVE TO INCREASE CONTRIBUTIONS, THIS PROBABLY WISHFUL THINKING, AT LEAST AS FAR AS U.S. CONCERNED, ALTHOUGH POSSIBILITY ALWAYS EXISTS OF ONE OR MORE OIL-PRODUCING STATES MAKING SUBSTANTIAL DEMONSTRATION CONTRIBUTION.

A. AS NOTED IN REF. B, SECRETARIAT'S PAPER FAILS TO ANSWER SEVERAL RELEVANT QUESTIONS. STARTING POINT IN PC-V CONSIDERATION OF PROPOSAL SHOULD BE TO SEEK CLARIFICATION IN PLENARY, INTER ALIA, WHAT IDF COULD DO THAT NOT POSSIBLE WITH GTF, AND WHETHER IDF WOULD BE ADMINISTERED IN ACCORDANCE WITH RELEVANT UN REGULATIONS (E.G., REQUIREMENT IN FINANCIAL REGULATIONS THAT NO CONTRIBUTIONS BE ACCEPTED WHEN THERE IS REASON TO BELIEVE THESE MAY LEAD TO CHARGE ON UN BUDGET) OR UNDER SOME OTHER REGIME. IF SECRETARIAT AND/OR SUPPORTING DELS SUGGEST LATTER, THEY SHOULD BE QUESTIONED CLOSELY ON HOW AND BY WHOM THE RULES GOVERNING IDF WOULD BE DESIGNED (PRESUMABLY STATUTES WOULD HAVE TO BE DRAFTED AND SUBMITTED TO GA FOR APPROVAL) AND WHICH OF UN DIRECTIVES GOVERNING TRUST FUNDS WOULD NOT BE APPLICABLE.

B. U.S. AND AT LEAST SOME GROUP B MEMBERS HAVE BEEN DISSATISFIED WITH ADMINISTRATION OF EXISTING GENERAL TRUST FUND. ESSENCE OF OUR COMPLAINT IS INADEQUACY OF REPORTING TO IDB/PC CONCERNING FUND, VIRTUAL ABSENCE OF CONSULTATION WITH UNIDO'S LEGISLATIVE BODIES CONCERNING USE OF THESE MONIES, INCONSISTENT AND INSUFFICIENT CHARGES FOR OVERHEADS, POTENTIAL FOR PROJECTS FUNDED BY VOLUNTARY CONTRIBUTIONS TO CONFLICT WITH OR DIVERT FROM OTHER APPROVED OPERATIONAL AND SUPPORTING ACTIVITY. SPECIFICS OF SUCH DISSATISFACTION COULD BE ARTICULATED AND DESIRABILITY OF PROCEEDING TO INSTITUTIONALIZATION OF MORE GRANDIOSE, EXPANDED FUND QUESTIONED IN ABSENCE OF SATISFACTORY ADMINISTRATION OF PRESENT VOLUNTARY CONTRIBUTIONS. LIMITED OFFICIAL USE

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C. APART FROM LONG-STANDING, BUT SOMETIMES COMPROMISED U.S. OBJECTION TO PROLIFERATION OF FUNDS AND HAVING IN MIND THAT IDF WOULD LARGELY REPLACE EXISTING GTF, MISSION WOULD HAVE NO SUBSTANTIAL DIFFICULTY WITH ESTABLISHMENT OF IDF PROVIDED REASONABLY SATISFACTORY STATUTES COULD BE DRAFTED, INCLUDING SUBJECTING FUND TO POLICY AND PROGRAM CONTROL OF IDB/PC IN CONTRAST TO

PRESENT ARRANGEMENT UNDER WHICH GTF IS LARGELY CONTROLLED BY SINGLE SECRETARIAT MEMBER AND VARIOUS PROVATE ARRANGEMENTS WITH DONOR COUNTRIES DETERMINE PURPOSES FOR WHICH CONTRIBUTIONS ARE TO BE USED. ESTABLISHMENT OF IDF COULD THUS BE OPPORTUNITY TO PRESS FOR VARIOUS IMPROVEMENTS IN MANAGEMENT OF UNIDO VOLUNTARY CONTRIBTUIONS, E.G., GREATER CENTRALIZATION OF CONTRIBUTIONS, CLOSER POLICY DIRECTION AND MONITORING BY UNIDO GOVERNING BODY, INTRODUCTION OF STANDARD OVERHEAD CHARGE. IF U.S. (AND OTHER GROUP B MEMBERS) WERE ABLE TO GO ALONG WITH ESTABLISHMENT OF IDF IN THESE CIRCUMSTANCES WE WOULD GAIN BARGAINING CHIP FOR USE AT UNIDO-II.

D. SYG'S PROPOSAL IN A/C.5/1616 (PARA 36(A) TO DELEGATE TO UNIDO E.D. AUTHORITY TO APPOINT AND PROMOTE STAFF FINANCED BY PROPOSED NEW FUND WOULD GIVE US NO DIFFICULTIES AGAIN PROVIDED THAT ACCEPTABLE PROVISION MADE FOR FUNDS' ADMINISTRATION AND FUNDS FOR SUCH STAFF WERE LIMITED TO OVERHEADS EARNED FROM UTILIZATION OF IDF MONIES.

3. ADMINISTRATIVE AUTNOMY. MISSION SUPPORTS SYG'S THESIS (A/C.5/1616) THAT CHOICE LIES BETWEEN TRANSFORMATION OF UNIDO INTO SPECIALIZED AGENCY AND ESSENTIALLY MAINTAINING STATUS QUO -- ALTHOUGH WE ASSUME THAT, IF PRESENT CONSTITUTIONAL ARRANGEMENTS MAINTAINED, LDC'S WILL DEVISE RANGE OF SPECIFIC PROPOSALS SEEKING EXPANSION OF UNIDO'S ADMINISTRATIVE AUTHORITY.

A. MISSION'S UNDERSTANDING IS THAT USG HAS NOT FORMALLY ADDRESSED PROS AND CONS OF SA STATUS FOR UNIDO SINCE 1971 UNIDO CONFERERNC. SUCH CONSIDERATION NOW APPEARS NECESSARY, INAS MUCH AS THIS ALTERNATIVE LIMITED OFFICIAL USE

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WILL BE BEFORE UNIDO-II.

B. POSITION USG ADOPTS ON SA STATUS WILL HAVE FUNDAMENTAL IMPACT ON OUTCOME THIS QUESTION AT UNIDO-II (AND AT 30TH GA, WHICH WILL CONSIDER UNIDO-II RECOMMENDATIONS). MISSION'S IMPRESSION IS THAT WIDE-SPREAD ASSUMPTION AMONG LDC'S THAT US NOT ONLY CONTINUES TO OPPOSE BUT, MORE IMPORTANTLY, MIGHT NOT JOIN UNIDO WERE IT TO BECOME AN SA, HAS DISPOSED MAJORITY OF LDC'S AGAINST ARBITRARILY VOTING SUCH STATUS THROUGH. EVEN MORE TRADITIONALLY PUBLIC LDC EXPONENTS OF SA STATUS (E.G., PERU) NOW APPEAR PRIVATELY LESS INSISTENT ON SUCH STATUS IN NEAR FUTURE. ON OTHER HAND, WERE LDC'S TO CONCLUDE THAT US LIKELY TO JOIN SUCH NEW SA, WHETHER WE PUBLICLY OPPOSE ITS CREATION OR NOT, IT PROBABLE THEY WOULD

PROCEED FORTHWITH TO VOTE FOR ITS CREATION. THUS,

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ACTION IO-10

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IF RESULT OF USG STUDY IS TO CONTINUE TO OPPOSE
TRANSFORMATION OF UNIDO, IT TACTICLY CRUCIAL THAT
WE MAINTAIN LDC DOUBTS ABOUT US EVENTUAL PARTICIPATION.
FACTOR THAT COULD CAUSE LDC'S TO INSIST ON SA STATUS
FOR UNIDO WOULD BE CREDIBLE ASSURANCE FROM LDC OIL
PRODUCERS THAT THEY WOULD COMPENSATE FOR BUDGET
SHORTFALL CAUSED BY US REFUSAL TO JOIN--WE HAVE NOT
TO DATE DETECTED INDICATIONS OF SUCH ASSURANCES. ALTHOUGH
SOVIETS REMAIN OPPOSED TO SA STATUS THEY WOULD PRESUMABLY JOIN
FOR POLITICAL REASONS.

C. IDEALLY, REVIEW OF USG POSITION ON SA STATUS
SHOULD ENTAIL EXAMINATION OF USG POSITION ON
UN-SYSTEM TECHNICAL ASSISTANCE IN INDUSTRY
SECTOR. IN EVENT (IMPROBABLE IN MISSION VIEW) THAT
CONCLUSION WERE THAT US WISHED SUPPORT (AND CONTRIBUTE
TO) SIGNIFICANTLY EXPANDED MULTILATERAL ASSISTANCE IN
THIS SECTOR, WE SUSPECT EFFICIENCY AND PERFORMANCE
WOULD IMPROVE AT LEAST marginally WERE UNIDO TO
BECOME AN SA. SUCH MARGINAL IMPORVEMENT, HOWEVER,
WOULD NOT IN OUR VIEW MERIT CHANGE TO SA STATUS WERE

WE NOT PREPARED SUBSTANTIALLY TO INCREASE OUR BUDGETARY
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CONTRIBUTION.

D. PRINCIPAL FACTOR APPARENTLY MOTIVATING
MOST LDC PROPONENTS OF SA STATUS FOR UNIDO IS
ASSUMPTION THAT SUCH STATUS WOULD PERMIT THEM TO OBTAIN
GRATER FUNDS FOR INDUSTRIALIZATION FROM THE MAJOR
CONTRIBUTORS THROUGH BUDGETARY ASSESSMENT. WE
BELIEVE LOSS OF SYG (CONTROLLER), ACABQ, 5TH
COMMITTEE SCREEN OF UNIDO SECRETARIAT BUDGET
REQUESTS, AS PRESENTLY EXISTS, WOULD INDEED LEAD TO
VOTING OF HIGHER ASSESSMENTS (WE REGARD AS UNREALISTIC
THE POSSIBILITY THAT LDC'S WOULD
ACCEPT UNICEF-LIKE ARRANGEMENT (NOTED IN A/C.5/1616) WHERE
BUDGET BASED SOLELY ON VOLUNTARY CONTRIBUTIONS, AS QUID PRO
QUO FOR SA STATUS). WE ARE, THEREFORE, IN STRONGER POSITION
TO HOLD DOWN UNIDO BUDGET UNDER PRESENT INSTITUTIONAL
STRUCTURE. MOREOVER, SA STATUS WOULD ENTAIL SOME
INCREASE IN ADMINISTRATIVE STAFF TO TAKE OVER FUNCTIONS
PRESENTLY HANDLED BY NEW YORK (A RELATIVELY SMALL
ADDITIONAL COST INITIALLY, BUT ONE THAT COULD
BURGEON AS INCREASING SERVICES ARE REQUESTED).

E. FOREGOING ASSUMES THAT USG POSTURE TOWARD
UN-SYSTEM ASSISTANCE IN INDUSTRIALIZATION AND TOWARD
UNIDO REMAINS ESSENTIALLY AS AT PRESENT. ONE CANNOT
EXCLUDE POSSIBILITY THAT LDC'S MAY INCREASE THEIR
EFFECTIVENESS IN OBTAINING LARGER
RESOURCES FOR UNIDO VIA THE NEW YORK MECHANISM THAN
WE ARE WILLING TO PAY OR THAT UNIDO SECRETARIAT
AND/OR G-77 MAY CHART COURSES FOR UNIDO THAT
ARE UNPALATABLE IF NOT UNACCEPTABLE TO US. WHILE
UNIDO'S PRESENT STATUS WOULD NOT PRECLUDE VARIOUS
EARNESTS OF DISAPPROVAL, WUCH AS WITHDRAWAL FROM THE
IDB, REDUCTION OF PERMANENT REPRESENTATION TO
UNIDO, ETC., IT WOULD INHIBIT THE ULTIMATE SANCTION,
WITHHOLDING OF US FUNDS. SUCH MEASURE WOULD APPEAR
POLITICALLY LESS DIFFICULT WERE UNIDO AN SA. OUR
POSTURE CONSEQUENTIALLY MIGHT BE TO TOLERATE, IF
NOT SUPPORT SA STATUS, IF WE WERE TO CONCLUDE
THAT SUCH SITUATION LIKELY TO DEVELOP.
HOWEVER, WE HAVE NO PARTICULAR EVIDENCE TO THIS EFFECT
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AT THIS TIME.

F. IN ANY EVENT, AS PART OF THE PROCESS OF DEFINING OUR POSITION ON THE SA QUESTION, IT WOULD BE USEFUL TO OBTAIN OPINIONS FROM THE DEPARTMENT'S LEGAL ADVISER WHETHER US ACCESSION TO SUCH NEW SA DEVOLVING FROM AN EXISTING ORGANIZATIONAL UNIT OF THE UN WOULD REQUIRE SENATE RATIFICATION OR BE TREATED AS AN EXECUTIVE AGREEMENT AND POSSIBLY TO OBTAIN A CURRENT READING OF CONGRESSIONAL SENTIMENT ON US MEMBERSHIP IN SUCH ORGANIZATION. WERE THE INDICATIONS THAT US MEMBERSHIP IN AN SA WOULD BE DENIED OR OPPOSED BY THE HILL, THIS COULD PROVIDE A POWERFUL DETERRENT TO THE LDC'S VOTING SUCH FOR STATUS (SUBPARA 3.B ABOVE). ALSO, WE ASSUME EXECUTIVE BRANCH WOULD NOT WISH TO COME DOWN IN FAVOR OF SA STATUS IF IT APPEARED THAT MEMBERSHIP WOULD SUBSEQUENTLY BE DENIED OR OPPOSED IN THE CONGRESS.

4. THE FOREGOING CONSIDERED, THE MISSION WOULD FAVOR OPPOSING AT PC-V AND UNIDO-II CONVERSION OF UNIDO INTO A SPECIALIZED AGENCY. SUCH OPPOSITION TO BE EFFECTIVE SHOULD CONVEY SERIOUS DOUBT ABOUT US READINESS TO PARTICIPATE IN SUCH AN ORGANIZATION IF CREATED. AS A COROLLARY, WE WOULD SUPPORT THE ALTERNATIVE POSITION PUT FORWARD IN THE SYG'S REPORT, ALTHOUGH WE SHOULD BE PREPARED TO ENTERTAIN ON THEIR MERITS SPECIFIC PROPOSALS FOR LIMITED FURTHER DELEGATION OF THE SYG'S AUTHORITY IN PERSONNEL MATTERS AND WITH REFERENCE TO PUBLICATIONS.

5. SEPTTEL ADDRESSES ADDITIONAL QUESTIONS RELATED TO INSTITUTIONAL ARRANGEMENTS LIKELY ARISE AT UNIDO-II AND/OR PC-V. STIBRAVY

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